



Commonwealth of Massachusetts  
Office of the State Auditor  
Suzanne M. Bump

*Making government work better*

Official Audit Report – Issued April 9, 2014

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**Roxbury Community College**  
**Reggie Lewis Track and Athletic Center**  
For the period July 1, 2010 through March 31, 2012





Commonwealth of Massachusetts  
Office of the State Auditor  
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April 9, 2014

Valerie R. Roberson, PhD, President  
Roxbury Community College  
1234 Columbus Avenue  
Roxbury Crossing, MA 02120

Dear Dr. Roberson:

I am pleased to provide this performance audit of the Roxbury Community College Reggie Lewis Track and Athletic Center. This report details the audit objectives, scope, methodology, findings, and recommendations for the audit period, July 1, 2010 through March 31, 2012. My audit staff discussed the contents of this report with management of the agency, and their comments are reflected in this report.

I would also like to express my appreciation to the staff of Roxbury Community College and the Reggie Lewis Track and Athletic Center for the cooperation and assistance provided to my staff during the audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "SMBump".

Suzanne M. Bump  
Auditor of the Commonwealth

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## EXECUTIVE SUMMARY

The Reggie Lewis Track and Athletic Center (the Center) is an indoor track facility located at 1350 Tremont Street, Boston, owned by the Commonwealth of Massachusetts and governed by Roxbury Community College (RCC).

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor conducted an audit of certain activities of the Center for the period July 1, 2010 through March 31, 2012. Our audit objectives were to review and assess RCC's internal controls over certain operations and activities at the Center and determine whether (1) the Center's financial records were accurate and were being properly maintained; (2) receipts and expenditures were accurately accounted for; (3) revenues were collected and expended for operations and capital needs, as required by the Center's appropriation; and (4) RCC complied with all applicable laws, regulations, and policies and procedures related to the operation of the Center in the areas reviewed.

### *Summary of Findings*

- The Center (1) lacked adequate internal controls over the establishment and collection of rental fees for nonpublic events, resulting in uncollected revenue totaling at least \$2,400; (2) did not enter into a rental agreement or collect rental fees for the use of the Center by a local university, resulting in thousands of dollars of lost revenue; and (3) lacked policies and procedures for the collection of admission fees at public events, resulting in thousands of dollars in unaccounted-for fees.
- Contrary to Chapter 15A, Section 22A, of the General Laws, the Center collected \$24,280 in rental fees from public high schools for track league meets that the schools should have been able to hold at the Center at no charge.
- The Center did not adhere to RCC's established policies and procedures for the purchase of, receipt of, and payment for goods and services. As a result, there is inadequate assurance that all of the goods that RCC paid for were received in good condition, if they were received at all, and properly safeguarded against theft or misuse.
- RCC did not ensure that the Center was following established policies and procedures for the administration of personnel and payroll activities:
  - The Center did not have Employment Status Forms (ESFs) on file for some employees establishing that they were contract employees and not independent contractors. As a result, the Center cannot be sure that its contract employees are being properly classified as such. Because different employment and associated tax obligations apply to each category of contractor, strict rules apply and misclassifications could result in either state or federal penalties.

- Some contract employees worked without current contracts. By not documenting the terms and conditions of a contract at the earliest possible time, the Center and the employee risk misunderstandings over issues like the requirements of the employee's position, the rate of pay, the end date of a contract, and any liability issues that arise.
- One contract employee was paid more than the contract allowed. The amount of overpayment was \$109.37.
- Timesheets were submitted without supervisory approval for specific hours, signed before the week-ending date or on days when the employees were not at work, and/or not dated by supervisors. In addition, RCC had not established detailed payroll policies and procedures for the Center to follow for the administration of payroll. These issues heighten the risk and opportunity for employees to misrepresent their hours worked, which would mean the Commonwealth was being charged for invalid payroll expenditures.
- Required Sex Offender Registry Information (SORI) background checks were not being performed. As a result, RCC cannot effectively ensure the safety of its students and staff as well as children, the disabled, and the elderly who have access to the RCC and/or the Center.

### ***Recommendations***

The board of trustees at RCC should immediately address issues pertaining to RCC's overall management and operation of the Center. As a priority, the board should review, and comply with, the conditions required in the Center's enabling legislation, Chapter 15A, Section 22A, of the General Laws. At a minimum, the board should:

- Increase oversight of the management and operation of the Center in accordance with Chapter 15A, Section 22A, including the establishment of fees and the institution of policies regarding use of the facility (i.e., who can use it for public, nonpublic, and charitable purposes).
- Require RCC to establish formal management reporting lines between the Center's director and RCC's president.
- Incorporate the operations of the Center into the college's internal control plan and develop specific policies and procedures addressing the activities of the Center, such as the rental-agreement process; billing practices; and the accounting for, and collection of, rental and admission fees.
- Properly execute written agreements with nonpublic entities for the rental of the facility.
- Establish appropriate admission fees for high-school track meets.
- Require that RCC follow proper business practices by ensuring that all admission fees are properly collected, accounted for, safeguarded, and deposited in the Center's retained-revenue account.

- Ensure that the Center stops charging public high-school track leagues for use of the facility.
- Require the Center to comply with requirements established in RCC's Office of Business and Finance Guide for the Purchase of Goods and/or Services and put necessary oversight and monitoring controls into place to ensure that established policies and procedures are consistently followed. The board should also require RCC to update its Office of Business and Finance Guide for the Purchase of Goods and/or Services to include specific delivery and receiving procedures for the Center for exceptional instances when goods need to be directly delivered at the Center.
- Ensure that the Center completes and retains ESFs for all contract employees.
- Ensure that the Center's contract employees' contracts are renewed in a timely manner, signed, and retained on file.
- Ensure that the Center adheres to the terms of contract employees' contracts with regard to hours and total compensation.
- Ensure that RCC establishes policies and procedures over payroll and timesheet administration at the Center, including adjustments to payroll and timesheet submission requirements to ensure that weekly timesheets accurately reflect hours worked.
- Ensure that RCC provides necessary monitoring and oversight over timesheet preparation at the Center, focusing on details such as the signing and dating of timesheets by employees, approval signatures, and dates by supervisors.
- Ensure that SORI background checks are performed at both the college and the Center and that necessary policies and procedures are established and implemented to address the SORI requirement.

### ***Agency Progress***

In addition to the responses that appear after each of the audit findings in this report, after the conclusion of our audit, RCC provided us with additional updated information on the measures it was taking to address the issues raised in this report. That information, which had not been included in the previous response, is excerpted below.

*In January, 2014, the College hired a Chief Compliance Officer. . . . He has begun to review and address all audit findings and provide leadership in overseeing the daily operations of the Reggie Lewis staff. In addition, the College is making additional staff changes to ensure the appropriate management of the facilities.*

. . .

*In December 2013, the RCC Board of Trustees approved the admission fees to be charged of patrons for this year's high school track season. Staff will present proposed fees for the 2014-15 Academic year at the May, 2014 meeting. . . . the College began to use The Division of Capital*

*Asset Management and Maintenance (DCAMM) State contracts for all [the Center's] events and clarified that admission fees charged by private vendors be negotiated as a part of the contractual agreement. Moving forward, staff will present, review and approve Center fees on an annual basis. The Board will determine the College's procedures for use of the Center by all external patrons including public high schools. The College Business Office will issue all contracts for events and collect fees as charged. The College Business Office will oversee the collection of fees, deposit, and reconciliation of tickets/receipts for all events where cash is collected.*

...

*Roxbury Community College and the Reggie Lewis Center are working with Department of Capital Asset Management and Maintenance (DCAMM) to improve facility management services and preventative maintenance through the Integrated Facilities Management Program. This agreement will enable us to quickly address urgent deferred maintenance needs and upgrade the College and Center's critical facility infrastructure. This management structure will protect any capital investments that we make to improve our facilities going forward.*

*We have begun to create a long-term Capital Improvement Plan which includes the total renovation of two buildings, additional renovations at the Reggie Lewis Center including a new running track and the renovation of Dudley Manor, a historical building on campus which can be used to serve the college and the community.*

RCC also stated that it would complete a new agreement with the Massachusetts State Track Coaches Association by May 2014.

## OVERVIEW OF AUDITED AGENCY

The Reggie Lewis Track and Athletic Center (the Center) is an indoor track facility located at 1350 Tremont Street, Boston, owned by the Commonwealth of Massachusetts and governed by Roxbury Community College (RCC). Chapter 772 of the Acts of 1987 enabled the acquisition and construction of a Massachusetts state track facility on land owned by Northeastern University in the city of Boston. Chapter 167 of the Acts of 1992 amended to Chapter 772 by, among other things, replacing the words “Northeastern University” in Section 2 with “Roxbury Community College” and replacing the words “for the use of the metropolitan district commission” in Section 4 with the words “at Roxbury Community College for use for public purposes.”

RCC is one of 29 public institutions of higher learning within the system of public higher education in the Commonwealth. These institutions operate under the authority of the Board of Higher Education, which is enabled by Chapter 15A, Section 5, of the Massachusetts General Laws. Chapter 61, Section 5, of the Acts of 2007 added Section 22A to Chapter 15A. That section establishes additional responsibilities of RCC’s board of trustees for the management and operation of the Center. Those responsibilities include establishing user fees for the Center; entering into agreements with the Massachusetts State Track Coaches Association and other groups for use of the Center; and establishing rules for its use by public high-school track programs, members of the public, nonpublic groups, and people affiliated with RCC.

The board of trustees consists of 10 members who are appointed by the Governor and one member who is elected by the student body and is an RCC student. The appointed members serve for five-year terms and the student member serves for a one-year term. The board chair is also named by the Governor. RCC's president is responsible for implementing the policies set by the board in accordance with policies and guidelines established by the Board of Higher Education. During our audit period, the Center was managed by a director who reported to RCC’s president.

In accordance with Chapter 15A, Section 22A, the Center<sup>1</sup> receives an appropriation of funds that is separate from RCC’s, as detailed in Section 22A(e):

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<sup>1</sup> Although the Center is considered part of RCC and is under its governance, annual funding for the operations of the Center is separate from the college’s maintenance appropriation.

*The annual operating expenses of the center shall be separate and distinct from appropriations within the general appropriations act for the college [and] shall use a separate item of appropriation . . . .*

The Center's appropriation, known as a retained-revenue account, allows the Center to collect and expend revenue up to a predetermined amount to operate the facility. Any revenue collected above this amount is retained by the Commonwealth. For fiscal years 2011 and 2012, the Center's appropriated retained-revenue authorization amount was \$529,843.

The tables below summarize the funding sources and expenditures for the Center for fiscal year 2011 and the first nine months of fiscal year 2012.<sup>2</sup> For fiscal year 2011, as the table shows, there were no excess revenues available for the Commonwealth to retain because the \$487,842 of revenue collected was less than the legislatively authorized retained-revenue amount. Since our analysis only extended through the first nine months of fiscal year 2012, we did not determine whether or not there was excess revenue available for the Commonwealth at the end of the fiscal year. The revenue collected for both fiscal years was expended for such costs as utilities, event staff wages, and building maintenance. In addition, the Center received supplemental funding from RCC's main appropriation and RCC's all-purpose trust fund to pay for salaries of permanent staff members, other event-staff wages, and additional operational and maintenance costs.

### Summary of Revenue and Expenditures for the Center

#### Fiscal Year 2011

Appropriation Name	Amount Received	Amount Expended
Center's Retained Revenue	\$ 487,842	\$ 490,452
RCC's Main Appropriation	575,044	575,044
RCC's All-Purpose Trust Fund	330,208	330,208
Total	<u>\$ 1,393,094</u>	<u>\$ 1,395,704</u>

#### Fiscal Year 2012 for the Nine Months Ending March 31, 2012

Appropriation Name	Amount Received	Amount Expended
Center's Retained Revenue	\$ 453,705	\$ 347,032
RCC's Main Appropriation	474,715	474,715
RCC's All-Purpose Trust Fund	278,290	278,290
Total	<u>\$ 1,206,710</u>	<u>\$ 1,100,037</u>

<sup>2</sup> This financial data was retrieved from the Commonwealth Information Warehouse's reports.

## AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor conducted an audit of certain activities of the Reggie Lewis Track and Athletic Center (the Center) for the period July 1, 2010 through March 31, 2012. Our audit objectives were to review and assess Roxbury Community College's (RCC's) internal controls over certain operations and activities at the Center and determine whether (1) the Center's financial records were accurate and were being properly maintained; (2) receipts and expenditures were accurately accounted for; (3) revenue was collected and expended for operations and capital needs, as required by the Center's appropriation; and (4) RCC complied with all applicable laws, regulations, and policies and procedures for the operation of the Center in the areas reviewed.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To achieve our audit objectives, we reviewed and analyzed the following:

- The Office of the State Comptroller's internal control guide and applicable General Laws, including Chapter 647 of the Acts of 1989, An Act Relative to Improving Internal Controls within State Agencies.
- Chapter 15A, Section 22A, of the General Laws.
- The Center's retained-revenue account to determine whether funds from this account were expended for the operation and capital needs of the facility as required by the Center's appropriation.
- RCC's internal control plan to determine whether risk assessments had been conducted and whether appropriate controls had been established over activities at the Center.
- Information provided in interviews with management and staff of both the Center and RCC in order to evaluate RCC and the Center's internal control structure and compliance with applicable laws, rules, and regulations.
- Prior audit reports, budgets, and fiscal reports.

- Contracting, cash-receipt collections, depositing, recording, reporting, reconciling, and safeguarding of assets at the Center, with particular attention to the adequacy of segregation of duties.
- Procurement policies and procedures and expenditures for purchase of goods and services.

In addition, we selected non-statistical judgmental samples of contracts, revenue, expenditures, and payroll records to verify that transactions were appropriately accounted for, recorded, supported, and reported and that assets were properly safeguarded in accordance with established criteria.

To accomplish our objectives, we analyzed the Center's payment information and state accounting records in the Massachusetts Management Accounting and Reporting System to identify payments made by the Commonwealth to fund the Center's operations. The electronic data sources used for this analysis constitute the official accounting records of the Commonwealth, are widely accepted as accurate, and form the basis for the Commonwealth's audited annual financial statements. Accordingly, our audit did not involve a comprehensive assessment of the reliability of source Commonwealth data. However, we did perform analytical procedures, such as comparisons and reconciliations to available revenue and expenditure summary totals in the Center's accounts, to confirm that the Commonwealth database information we used was consistent with other available information. Based on that analysis, we concluded that the data used was of sufficient reliability for the background information, sampling methodology, and other purposes of our audit.

Although our audit procedures were designed to obtain reasonable assurance of meeting our audit objectives pertaining to the Center's internal control activities; financial records; and appropriateness of, and accounting for, revenue and expenditures, the extensive control environment and documentation issues limited our ability to obtain reasonable assurance that the Center had otherwise maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested. Despite these limitations, we believe that the evidence obtained by our audit testing and analysis provides a reasonable basis for the overall findings and conclusions detailed in the Audit Findings section of this report.

## DETAILED AUDIT RESULTS AND FINDINGS WITH AUDITEE'S RESPONSE

### 1. **Inadequate management and oversight controls result in the Center not collecting all necessary revenue for the operation and capital needs of the facility.**

Our audit of the administration of the Reggie Lewis Track and Athletic Center's (the Center's) activities and operations, which included the collection, recording, safeguarding, depositing, and reporting of revenue, identified a number of problems with user, rental, and admissions fees, as discussed in the subsections below.

#### **a. Inadequate controls over the establishment and collection of rental fees for nonpublic events resulted in uncollected revenue totaling at least \$2,400.**

Chapter 15A, Section 22A(d), of the Massachusetts General Laws states that Roxbury Community College's (RCC's) board of trustees is responsible for making the Center "available at market rate, as determined by the board, for use for nonpublic purposes. . . ." However, our audit found that the board has not established such market-rate fees – or any set fees – for any such purposes. In order to examine the Center's practices surrounding the use of the facility for events, we selected a sample of events to test. We found that the Center had not maintained a complete and accurate central list of all the events that took place during our audit period, so in the absence of a central list, we compiled a list of events from various available but incomplete records such as Center calendars and schedules. From this list, we selected 27 events that the Office of the State Auditor determined took place at the Center during different parts of the 2011 and 2012 fiscal years. We found that the organizers of 10 of the 27 events had not paid for use of the facility, and 7 of the 10 events involved nonpublic organizations. Section 22A(d) requires the Center to charge a market rate rental fee for the use of the facility for those 7 events. However, our review of the bank statements and other documentation for the 7 events showed that there was no record of money being collected or deposited into the Center's retained-revenue account.

According to the director of the Center, he did not charge rental fees for these seven events because on occasion the Center sponsors charity events for the community free of charge. However, there is no formal RCC policy that specifically allows the director to waive fees that should have been charged to nonpublic institutions. We examined RCC's records related to these events and found that they identified only one of the three public ones as a charity event.

The seven nonpublic events, although classified as charitable, were in fact business meetings and social gatherings.

We were able to contact officials at five of the seven nonpublic organizations that rented the facility and four confirmed that the Center did not charge those organizations rental fees for the event in question. However, we found one renter, TRACS Inc. (TRACS), that told us it paid the Center \$3,500 annually, in two installments (\$875 and \$2,625), to sponsor a table at the Center's high-school track meets. Because the Center could not provide us with evidence that it had billed, received, and deposited these payments, we requested supporting documentation from TRACS confirming the payments made. Accordingly, TRACS provided us with a bank-statement copy of its canceled checks indicating that the checks had been endorsed with an RCC endorsement stamp bearing the words "For deposit only, Roxbury Community College, Reggie Lewis Track Center" and the bank account number for the Center's retained-revenue account. As a result, it appears that the Center did not properly account for and document this transaction.

In order to approximate the amount of rental fees that could have been collected for the remaining six events, we determined that during our audit period, \$400 was the minimum rental fee that the Center collected for an event. Based on this \$400 minimum rental fee, we conservatively calculated that the Center should have collected at least \$2,400 for these six events.

The board's responsibilities under the abovementioned statute play an important role in ensuring accountability on the part of Center management with respect to its financial management practices and systems of internal controls. The conditions noted above and throughout this report provide evidence that the board needs to significantly improve its statutory oversight and monitoring of the Center's operations and activities. Effective oversight and monitoring of the Center's operations and activities will help ensure that the Center is being administered in accordance with enabling legislation. An engaged, active board can increase the Center's management accountability, reduce management risks (e.g., noncompliance with laws, rules, and regulations), raise operating standards, and target underperformance for timely corrective action. In addition, we noted that although the Center is part of RCC, its activities are not incorporated into the college's internal control plan for departmental management or set forth in a set of

policies and procedures specific to the Center. In addition, although the director managed and operated the Center under the direction of the RCC president, there were no formal management reporting lines established between the director and the president.

**b. The Center did not enter into a rental agreement or collect rental fees for use of the Center from a local university, resulting in thousands of dollars of lost revenue.**

As previously noted, the Center's enabling legislation permits it to enter into agreements with nonpublic entities for use of the facility, provided the facility is not being used for public purposes. Specifically, Chapter 15A, Section 22A(b), of the General Laws states, in part,

*In the event the facility is not in use for public purposes, the board may permit use for nonpublic purposes for a rental amount to be determined by said board.*

In these instances, the Center is required under Chapter 15A, Section 22A(d), to charge a market rate rental fee for use of the facility.

During our audit period, the Center allowed a nonpublic university, Northeastern University (Northeastern), to use the Center on a number of occasions for track meets for no fee and also provided, at no charge, passes to some Northeastern students that allowed them to access the facility and use its gym equipment. Further, we found that the Center did not have a contractual agreement with Northeastern for the use of this facility. Sound business practices dictate that a contract should be in place for use of the Center in order to establish, in writing, the liabilities and responsibilities of all involved parties.

We asked the director why he did not enter into a contractual agreement with Northeastern or charge a rental fee for track meets and a fee for the student passes in question. In response, he told us that over the years there was "just a gentleman's handshake" agreement between the college and the Center allowing Northeastern to use the facility for track meets and passes in exchange for RCC students' use of some of Northeastern's facilities and entry in some track meets. This agreement has been in place since 1992, when the Center's ownership was transferred from Northeastern to RCC. The director had a record of the number of Northeastern students that used the facility for track and cross-country practices. However, he could not provide us with the number of RCC students that use Northeastern facilities or particulars of the activities that the students engage in, because the Center does not maintain a record of that information.

Because the Center did not establish fees for Northeastern's use of the Center, it lost at least \$15,520 in revenue during the 2011-2012 academic year (\$11,520 for 96 track team passes at \$120 each, plus an estimated \$4,000 for track meets<sup>3</sup>).

As a result of our audit work in this area, the Center billed Northeastern for its use of the Center during the 2011-2012 academic year for 96 student track team passes at \$120 each, for a total of \$11,520, which it received. However, the director told us that he could not bill Northeastern for the track meets, which he estimated would have brought in \$4,000, because of a lack of detailed information and documentation surrounding these events.

**c. Lack of policies and procedures for the collection of admission fees at public events resulted in thousands of dollars in unaccounted-for fees.**

We found that the Center lacked the necessary policies and procedures and related internal controls for the charging of, and accounting for, admission fees for various events held at the Center. RCC's records show 49 cases during our audit period where the Center charged admission fees for public high-school track meets. Although RCC does not maintain a complete and accurate record of all the events held at the facility, the existence of this revenue came to our attention when we identified \$25,972 of deposits that were credited to the Center's retained-revenue account and classified as "miscellaneous." Employees in RCC's Office of Business and Finance could not explain the source of these miscellaneous cash deposits because they told us that they are only responsible for recording cash received from the Center and depositing it in the Center's retained-revenue account. Accordingly, we asked the director to provide us with an accounting of all cash collections by his staff, and he agreed to provide us with all supporting documentation, which included a list of 49 high-school track meets, involving 90 schools, that were held during the 2011-2012 academic year with the accompanying "gate" cash receipts collected. However, the director could only provide us with a summary of the amount of revenue collected for 42 of these 49 events, which totaled \$21,472. Gate collections for seven of the meets were missing, so we were not able to determine the amount of cash collected for those meets or whether the collections due the Center were properly accounted for. But based on the cash collected for the 42 track meets and an average gate collection of \$511, we estimated that the Center took in as much as \$3,500 in gate collections for the seven meets. The director was not able to provide a cause for the missing gate collections. Also, our review of the 42 events

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<sup>3</sup> Charges of \$4,000 were estimated by the director and therefore could not be verified.

that had documentation of gate collections revealed that the documentation associated with each deposit showed only the total amount of cash collected, the denomination and number of bills, and the amount of credit card charges (for example, a total cash deposit for \$540 with documentation specifying that it consisted of 27 \$20 bills). Sound business practices would dictate that the documentation include pertinent information such as the total number of tickets sold, the range of serial numbers on tickets sold (i.e., beginning and ending ticket numbers), and the composition of the audience (i.e., the number of children's \$3 tickets and the number of adults' \$4 tickets sold). Because it was not the Center's practice to account for and maintain control over the inventory of tickets or record the number of tickets sold, the Center could not verify that the full amount collected was properly accounted for. Furthermore, we could not review ticket sales and admission fees for the 2010-2011 academic year because relevant documentation that would support cash collections was not available.

Like some of the other issues listed in this report, the missing gate collections occurred because there was a lack of proper oversight and controls over the Center's operations by the president and the board. Additionally, we determined that the Center's operational activities were not incorporated into the college-wide internal control plan for departmental management and that specific policies and procedures addressing the Center's activities had not been developed. Moreover, although the director managed and operated the Center under the direction of the president, there were no formal management reporting lines established between the director and the president.

### ***Recommendations***

The board should:

- Increase oversight of the management and operation of the Center in accordance with Chapter 15A, Section 22A, including the establishment of fees and the institution of policies regarding use of the facility (i.e., who can use it for public, nonpublic, and charitable purposes).
- Require RCC to establish formal management reporting lines between the Center's director and RCC's president.
- Incorporate the operations of the Center into the college's internal control plan and develop specific policies and procedures addressing the activities of the Center, such as the rental-agreement process; billing practices; and the accounting for, and collection of, rental fees.

- Properly execute written agreements with nonpublic entities for the rental of the facility.
- Establish appropriate admission fees for high-school track meets.
- Require that RCC follow proper business practices by ensuring that all admission fees are properly collected, accounted for, safeguarded, and deposited in the Center's retained-revenue account.

### ***Auditee's Response***

In response to our audit, RCC officials provided the following comments:

*The Roxbury Community College Board of Trustees and the administration will review, modify and implement all policies, procedures, and practices, as well as appropriate staff responsibilities, to ensure accountability and compliance with all governing rule and regulations. A status report will be made available by June 30, 2014, that reviews all progress made in addressing the findings of the audit.*

In response to this specific issue, RCC officials provided the following comments:

*The College accepts the findings and recommendations.*

*The College's Board of Trustees will review and approve the Center's fees on an annual basis. The Board will determine the College's procedures for use of the Center by all external parties, including public high schools. The College's Business Office will issue all contracts for events and collect fees as charged. The College's Business Office will oversee the collection of fees, deposit, and the reconciliation of tickets/receipts for all events where cash is collected.*

### ***Auditor's Reply***

Based on its response, we believe that RCC is taking appropriate measures to address the problems we identified.

## **2. The Center inappropriately charged and collected \$24,280 in fees from public high-school track leagues.**

Contrary to state law, we found that during the 2011-2012 academic year, the Center improperly billed and received rental fees totaling \$24,280 from public high-school track league meets held at the Center.

As previously noted, the Center's enabling legislation, Chapter 15A, Section 22A(d), states that the Center should be available, free of charge, to public high-school track programs. Further, Chapter 15A, Section 22A(c), states that the board is responsible for "entering into agreements with the Massachusetts State Track Coaches Association, with other public groups and, pursuant to this

section, with nonpublic groups for nonpublic purposes.” Because these programs should have been free to participating high schools, the leagues unnecessarily incurred rental fees to use the Center.

The Center’s director was not able to provide a copy of the board’s Agreement with the Massachusetts State Track Coaches Association (MSTCA), nor were officials at MSTCA able to locate a copy. Moreover, our audit testing showed that during the 2011-2012 academic year, the Center collected a rental fee of approximately \$500 per event for these activities and the total collected for the 49 meets was \$24,280. We could not conduct tests of the fees for the 2010-2011 academic year because there were no complete, consistent records available.

The director told us that the practice of charging high-school track leagues a fee for track meets was in effect when he took over as the Center’s director in 1997 and that he had simply continued the practice. He added that this charge was not intended to be a rental fee but rather an offset to the costs for use of the track and equipment as well as the subsequent cleanup. Nonetheless, charging public high-school track leagues any fee is prohibited, since Chapter 15A, Section 22A(d), states that the Center should be made available to high-school track teams without charge. This practice occurred because RCC and the board did not provide adequate oversight of the Center’s operations.

### ***Recommendations***

The board should ensure that the Center stops charging public high-school track leagues for use of the facility.

### ***Auditee’s Response***

In response to this issue, RCC officials provided the following comments:

*The College accepts the findings and recommendations.*

*The College will not charge public high schools for track activities as required by law. The College will review and discuss the agreement with the Massachusetts State Track Coaches Association to ensure full compliance with applicable laws and the understanding of operations and requirements.*

### ***Auditor’s Reply***

Based on its response, we believe that RCC is taking appropriate measures to address our concerns on this issue.

**3. The Center did not adhere to RCC's established policies and procedures for the purchase of, receipt of, and payment for goods and services.**

The RCC Office of Business and Finance Guide for Purchase of Goods and/or Services, for all departments, states in part that:

- All items ordered by the college must be delivered to the Receiving Department personnel at the Receiving dock.
- Receiving Department personnel must attest to the receipt of goods in good condition on the Receiving Department copy of the purchase order.
- The Receiving Department must obtain, and keep on file, signatures of receipt from the departments to which it delivers equipment and other goods.
- The verified Receiving Department copy of the purchase order, along with the packing slip, if any, must be sent to the Office of Business and Finance accountant to await receipt of the vendor's invoice.

During our audit, we reviewed a judgmental sample of 30 invoices representing 30 vendors from which RCC purchased goods and/or services to support the operations of the Center. Our test included purchases of goods such as office supplies and apparel, as well as purchases of services such as security-guard work and repairs. We examined \$94,138 in expenditures for these 30 vendors and found that the Office of Business and Finance paid 13 invoices, totaling \$26,705, for Center purchases that lacked evidence of the required Receiving Department verification that the goods purchased were received and in good condition.

The director told us that most deliveries for the Center are not received at the main Receiving Department but are received at the Center, where a staff member signs the vendors' delivery slip if there is one. He added that copies of the slips are kept on site and not provided to RCC's Office of Business and Finance. However, when we asked him for copies of the delivery slips or other evidence documenting receipt for the purchases, the director could not locate any documentation proving that the goods or services were received. The director explained that many of the purchases do not involve a signed delivery slip. The accountant at the Office of Business and Finance told us that she does not request copies of the vendors' delivery slips or RCC's purchase orders before processing payments for these goods to ensure proper verification that the items shipped were received and, if so, whether they were received in good condition and in the quantity shown on the vendor's invoice. As a result, there is inadequate assurance that all of the goods that RCC paid for

were received in good condition, if they were received at all, and properly safeguarded against theft or misuse.

RCC's comptroller told us that for the most part the staff at the Center does not follow the procurement policies and procedures established by the college for departments to follow. RCC's Office of Business and Finance does not enforce compliance with the college's purchasing policies and procedures because traditionally the Center has operated as a separate entity from the college. However, since RCC and its board are responsible for the management and operation of the Center, the Center should be required to adhere to the same policies and procedures established by RCC for all of its departments.

### ***Recommendations***

The board should require the Center to comply with requirements established in RCC's Office of Business and Finance Guide for the Purchase of Goods and/or Services and put necessary oversight and monitoring controls into place to ensure that established policies and procedures are consistently followed. The board should also require RCC to update its Office of Business and Finance Guide for the Purchase of Goods and/or Services to include specific delivery and receiving procedures for the Center for exceptional instances when goods need to be directly delivered at the Center.

### ***Auditee's Response***

In response to this issue, RCC officials provided the following comments:

*The College accepts the findings and recommendations.*

*The College's Business Office will ensure that Center staff members follow established procedures for the purchase, receipt and payment of goods and services.*

### ***Auditor's Reply***

Based on its response, we believe that RCC is taking appropriate measures to address concerns we identified.

**4. RCC did not provide adequate guidance or ensure that the Center was following applicable policies and procedures for personnel and payroll activities.**

Our audit found that RCC did not ensure that the Center was following established policies and procedures for the administration of personnel and payroll activities. Our audit noted the following three categories of employees working at the Center:

- Nine permanent full-time state employees, mostly management and supervisory staff, who were paid from RCC's main appropriation.
- Ten full-time contract employees (administrative and facility staff) who were paid from RCC's all-purpose trust fund. (These employees, although contracted, were regarded as permanent staff by the director.)
- One hundred sixty-two temporary part-time contract employees engaged solely for the purpose of working at various events, paid from the Center's retained-revenue account.

During our audit period, payroll costs for these three categories were as follows:

	Fiscal Year 2011	Fiscal Year 2012*
Full-Time State Employees (Management and Supervisory Personnel)	\$ 575,044	\$ 466,341
Full-Time Contract Employees (Administrative and Facility Personnel)	122,390	125,714
Part-Time Contract Employees (Event Personnel)	209,890	170,565
Total	<u>\$ 907,324</u>	<u>\$ 762,620</u>

\* Center payroll costs for the period July 1, 2011 through March 31, 2012.

Our review of payroll activities focused on the Center's contract employees because of the large number of contract employees working there during our audit period. To conduct our test of payroll for contract employees, we selected a judgmental sample of 127 (78%) of a total of 162 employees who were paid during March 2011, July 2011, and December 2011. Our test of payroll records included the reviewing of documents such as service contracts, weekly timesheets, and biweekly payroll registers to determine the accuracy of payroll disbursements and compliance with RCC's and the Commonwealth's established payroll and personnel policies and procedures. We also reviewed the Center's policies and procedures for Criminal Offender Registry Information (CORI) and Sex Offender Registry Information (SORI) background checks. Our tests of personnel and payroll revealed the following deficiencies.

**a. Contract employees lacked completed Employment Status Forms.**

A policy entitled “Individual Contractors: Contract Employees vs. Independent Contractor” was jointly issued by the Commonwealth’s Operational Services Division, the Office of the State Comptroller (OSC), and the Human Resources Division in November 2005. The policy provides guidance to departments in determining whether to hire a contract employee or to contract with an independent contractor,<sup>4</sup> as well as how to recruit, and execute contracts for, contract employees. This guidance includes the Commonwealth’s three-part test, which is a checklist that departments must use in order to determine the employment status of the individual under state and federal law before procuring contract services. The department must also complete an Employment Status Form (ESF), which certifies the employment status of the individual contractor. The ESF states,

*Departments are required to determine the type of work to be performed and whether it qualifies for contract employee or independent contractor status PRIOR TO PROCURING THE SERVICES. Once an individual contractor is hired, this form must be completed and filed with the contract. Pursuant to M.G.L. c. 149, s. 148B, an individual contractor is presumed to be a contract employee unless they meet all factors of the three-factor test . . . . The department must attach any relevant documentation in order to support independent contractor status.*

The “Individual Contractors: Contract Employees vs. Independent Contractor” policy states that the burden is on the department to support its employee status classification. Despite this requirement, we determined that none of the 127 contract employees in our test had a completed ESF on file that definitively established their employment status as a contract employee and not as an independent contractor. As a result, the Center cannot be sure that its contract employees are being properly classified as such. Because different employment and associated tax obligations apply to each category of contractor, strict rules apply and misclassifications could result in either state or federal penalties.

When we asked the director why ESFs had not been completed to certify his department’s determination of the employment status of contract employees, he told us that he was not aware of the requirement and that he was confident that all contract employees were properly

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<sup>4</sup> A contract employee is an individual who has a continuing relationship established with the employer. The employer has control over the individual’s performance, and generally various taxes are withheld from the individual’s pay, which is a regular hourly or weekly wage. An independent contractor is usually self-employed and is engaged to perform a specific project or provide services for a specific period of time. The individual is paid a flat fee for the project or service.

classified. He further stated that the services performed by these contractors were by nature those of an employee and that a continuing relationship existed between the Center and the employees.

**b. Contract employees worked without current contracts.**

The OSC's Expenditure Classification Handbook states that contract employees "must execute a Commonwealth Terms and Conditions and the Standard Contract Form." Despite this requirement, we found that 40 of the 127 contract employees we tested who were working at the Center during the six-month period July 1, 2011 through December 31, 2011 did not have properly executed contracts until the second week in July, though they had been working since July 1. The total wages paid during this period for these 40 contract employees totaled \$3,660. The director could not explain why this oversight occurred; however, he added that it is RCC's policy that contract employees renew their contracts every six months and that the vice president of business and finance is responsible for the renewal process. However, seeing that this official had left RCC during our audit, we could not determine why this issue occurred. By not documenting the terms and conditions of a contract at the earliest possible time, the Center and the employee risk misunderstandings over issues like the requirements of the employee's position, the rate of pay, the end date of a contract, and any liability issues that arise.

**c. One contract employee was paid more than the contract allowed.**

The payment terms for one employee's contract for the period July 1, 2011 to December 31, 2011 stated that the employee could work on average 18.75 hours per week at a rate of \$12.50 per hour for a total payment not to exceed \$6,328.13. According to RCC's contractor payroll register, as of December 31, 2011 this employee had received \$6,437.50, which was \$109.37 more than her contract allowed. Our review of the employee's timesheets showed that for two weeks ending July 23, 2011 and July 30, 2011, the employee worked at an RCC golf outing for 29 hours and 36.5 hours respectively, which in effect distorted her average weekly hours and thus resulted in the employee receiving more than the contract allowed. The director explained that this employee was coordinator for the golf outing and was required to work. He further explained the Payroll Accountant at RCC was responsible for monitoring employees' contracts and ensuring that payments did not exceed the maximum allowable amount.

**d. Problems were identified with timesheets.**

We reviewed all 437 timesheets that were processed during March 2011, July 2011, and December 2011. Detailed below are examples of some of the problems we identified during our examination:

- RCC required that the Center's contract employees' timesheets be submitted to the Payroll Department by noon each Thursday even though the payroll week ended on Saturday. In order for the Center to satisfy this requirement, timesheets had to be completed, signed, and approved early. Each Thursday, the employees would include hours for Friday and Saturday on their timesheets; the timesheets did not indicate supervisory approval for these specific hours. Also, RCC had not established detailed payroll policies and procedures for the Center to follow for the administration of payroll.
- Forty-two (9.6%) of the 437 timesheets were signed by employees before the week-ending date or on days when the employees were not at work. The payroll week ended on Saturday for employees at the Center; however, RCC's Payroll Department required that timesheets be submitted by noon each Thursday. Our test of timesheets found that each timesheet was approved by the supervisor and the director before the end of the work week, most often on a Thursday. Furthermore, the timesheets were time stamped by the Office of Business and Finance by Thursday afternoon. Nine of the 437 timesheets were not dated by the employee but were still approved by the supervisors.
- Eight of the 437 timesheets were not dated by the supervisor.

Sound business practices require that timesheets not be submitted and approved before the last day of the pay period or without complete information. These payroll deficiencies occurred because the board and RCC did not establish proper personnel and payroll policies and procedures for the Center to follow and did not provide the necessary monitoring and oversight of the Center's management of personnel and payroll matters. The lack of proper monitoring and oversight controls heightens the risk and opportunity for employees to misrepresent their hours worked, which would mean the Commonwealth was being charged for invalid payroll expenditures.

**e. Required SORI background checks were not being performed.**

During our examination of Center payroll and personnel activities, we learned that the Center, contrary to RCC's Human Resources Policies and Procedures, was not performing SORI checks on its employees. RCC's Human Resources Policies and Procedures indicate that students and employees must submit to SORI checks. The policy, posted on RCC's website, states in part,

*Students and employees participating in an academic, community or clinical program that involves the potential for unsupervised contact with children, the disabled, or the elderly, are required to undergo a Criminal Offender Record Information (CORI) check and/or a Sex Offender Registry Information (SORI) check. . . .*

The website also states that SORI checks are performed pursuant to Chapter 6, Section 178C, of the General Laws.

In addition to the above human-resources policy, we also observed RCC job postings (on the college's website) that included similar pronouncements indicating that appointed candidates would be required to submit to both CORI and SORI checks. This language implies a responsibility for RCC to monitor and oversee its adherence to this policy. Moreover, although the CORI/SORI policy was posted on RCC's website, we found that the college lacked necessary operating procedures that documented how its policy was put into practice.

We asked RCC's director of human resources to explain why the college was not ensuring that the required SORI background checks of its staff were being executed. He could not provide us with an explanation but added that SORI checks have not been carried out for the past six years on any staff members.

Because RCC is not performing the required SORI background checks on employees working at the college and the Center, it cannot effectively ensure the safety of its students and staff as well as children, the disabled, and the elderly who have access to the RCC and/or the Center.

### ***Recommendations***

The board should:

- Ensure that the Center completes and retains ESFs for all contract employees.
- Ensure that the Center's contract employees' contracts are renewed in a timely manner, signed, and retained on file.
- Ensure that the Center adheres to the terms of contract employees' contracts with regard to hours and total compensation.
- Ensure that RCC establishes policies and procedures over payroll and timesheet administration at the Center, including adjustments to payroll and timesheet submission requirements to ensure that weekly timesheets accurately reflect hours worked.

- Ensure that RCC provides necessary monitoring and oversight over timesheet preparation at the Center, focusing on details such as the signing and dating of timesheets by employees, approval signatures, and dates by supervisors.
- Ensure that SORI background checks are performed at both the college and the Center and that necessary policies and procedures are established and implemented to address the SORI requirement.

***Auditee's Response***

In response to this issue, RCC officials provided the following comments:

*The College accepts the findings and recommendations.*

*The College's Human Resources Office will ensure that Center staff complete all required forms. The College has begun to complete SORI for all employees hired within the Center. The College uses the Commonwealth payroll system and will follow all requirements for Center employees.*

***Auditor's Reply***

Based on its response, we believe that RCC is taking appropriate measures to address concerns we identified.

## OTHER MATTERS

### **Insufficient funds are available for necessary capital improvements to the Center.**

During our tour of the Reggie Lewis Track and Athletic Center (the Center), we noted several areas of the Center that were in need of repair, particularly several areas where the track was worn through. We discussed the general need for repairs with the director of the Center, and he agreed with our observations. He gave us a copy of a 2007 estimate of \$392,000, from a company in Pennsylvania that specialized in field and track installations, for the repairs he believed were necessary for the Center. Moreover, the director stated that there were no funds available in the Center's retained-revenue account to repair or replace the track. According to the retained-revenue appropriation for the Center, revenue received can be retained and spent for expenses associated with operations and the capital needs of the facility. More specifically, the Center's fiscal year 2011 and fiscal year 2012 appropriations state,

*For the Reggie Lewis Track and Athletic Center at Roxbury Community College: provided, that the college may expend an amount not to exceed \$529,843 received from fees, rentals and facility expenses associated with the running and operation of national track meets, high school track meets, high school dual meets, Roxbury Community College athletic events, other special athletic events, conferences, meetings and programs; and provided further, that only expenses for contracted services associated with these events and for the capital needs for the facility shall be funded from this item.*

Based on our audit work, we determined that the lack of sufficient funds available for Center capital improvements is largely a result of the Center not maximizing revenue collections from fees and rentals and other use of the facility.

For this reason, the Roxbury Community College (RCC) board of trustees should:

- Review the structure of membership and fees and establish appropriate market rate prices for use of the Center.
- Develop a long-term Capital Improvement Plan and strategy for the Center to ensure that the Center's cash receipts are properly accounted for and that related controls are in place to maximize revenue for capital improvements.

***Auditee's Response***

In response to this issue, RCC officials provided the following comments:

*The College has worked with the Department of Capital Asset Management and Maintenance (DCAMM) to assess the Center's current building, grounds and equipment. We will use this information to create a long-term Capital Improvement Plan.*